

FINDINGS

The high average age of primary operators on U.S. farms—56 years in 2002—has led to concern about the future of farming. However, some potential “replacement farmers” are currently working as secondary operators on larger, multiple-generation farms. Today’s commercial farms often require more management and labor resources than one person can provide. Thus, some farms have more than one operator, defined as anyone who makes day-to-day-decisions about the

farm business. For example, the principal operator’s spouse, sibling, or adult child may also be operators.

Until recently, U.S. farm data sources assumed each farm had one operator. New data show that this assumption understates the count of people operating farms by 800,000. USDA’s 2002 Agricultural Resource Management Survey (ARMS) asked respondents to report the number of operators on their farms and to provide more detailed information—such as age and major occupation—for up to three operators. Understanding multiple-operator farms is important because they produce a disproportionate share of agricultural output. It turns



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One Farm, One Operator?
Not on the Largest Farms

out that the 32 percent of U.S. farms with multiple operators account for half of agricultural production.

Of the nearly 700,000 multiple-operator farms, only 12 percent are multiple-generation operations, with at least 25 years difference between the ages of the oldest and youngest operators. This percentage increases with farm size, reaching 25 percent for multiple-operator farms with at least \$250,000 in sales. Multiple-generation farms are also more common when the

primary operator is either young or elderly, making up 16 percent of multiple-operator farms when the primary operator is under 35 and 22 percent when the operator is at least 65. The share is only 9 percent when the primary operator is 35 to 64 years old.

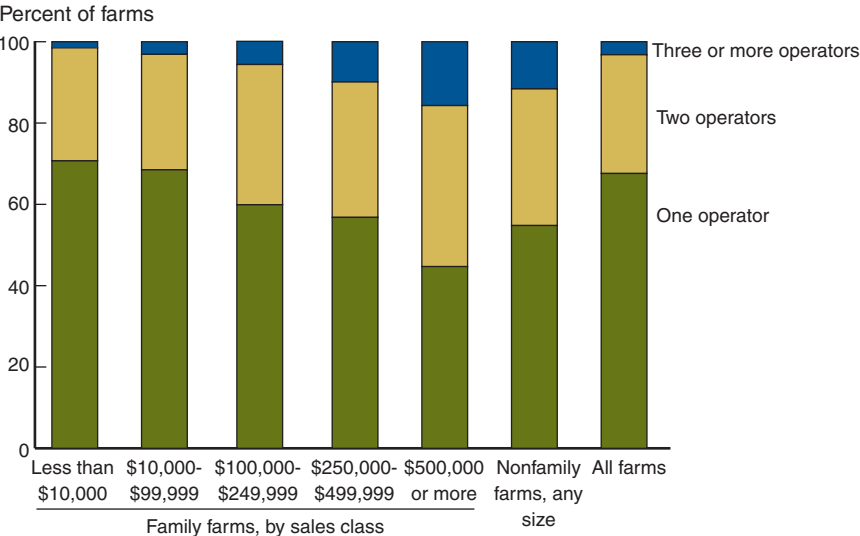
Multiple-generation farms number only 86,700, so they could provide replacement operators for only a fraction of the 2.2 million U.S. farms. In addition, some secondary operators in multiple-generation farms perform fairly specialized functions—such as marketing or field operations—and may not have the broad experience and skills necessary to take over a large farm.

On the other hand, relatively few replacement farm operators will be necessary for the larger, commercial-sized farms producing the bulk of farm products. The 2002 Census of Agriculture estimates that the 34,100 largest farms account for 50 percent of the sales of farm products, and the 143,500 largest farms account for 75 percent of sales. Replacing the operators of these farms from multiple-generation farms is much more feasible. W

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For more information on multiple-operator farms, visit the Questions and Answers section of the ERS Briefing Room on Farm Structure: www.ers.usda.gov/briefing/farmstructure/questions/qa.htm

Distribution of U.S. farms by number of operators



Source: USDA, 2002 Agricultural Resource Management Survey.

Farm Income Less Important to Most Corn Farm Households

U.S. farm policy supports farm household income in part by aligning government payments with (current and historic) production of commodities like corn, wheat, rice, or cotton. When commodity programs were conceived in the 1930s, government support was a key component of farm income. As economic conditions changed over time, however, commodity production has played a lesser role in farm household income and well-being, while off-farm income has become more important, a trend that has been documented in several ERS studies. One example is a recent analysis of data on corn farms from USDA's 2001 Agricultural Resource Management Survey. It shows that the relative importance of the different components of farm household income varies by farm type, but that off-farm income is most important for a majority of farm households.

Rural residence farms (about 25 percent of farm households) had little farm-related income and averaged a negative return from both the farm and corn enterprise in 2001. Off-farm sources generated nearly all of the

household income (more than \$50,000 per farm) on these farms where operators, by definition, work primarily off-farm or are retired.

Farm policy is more germane to farm household income on intermediate (less than \$250,000 in annual farm sales) and commercial (\$250,000 or more) farms, where farming is the primary occupation. On intermediate farms (about 50 percent of corn farm households), direct government payments averaged about \$8,000 per farm, accounting for nearly 90 percent of farm-related income. Still, more than 70 percent of total household income on intermediate farms was generated from off-farm sources.

By contrast, farming generated nearly 70 percent of total household income on commercial corn farms (about 25 percent of corn farms). More than \$60,000 of household income (about \$90,000 on average) was from farm-related sources on commercial farms in 2001, with about 40 percent of farm-related income from direct government payments. The corn enterprise resulted in a loss, on average, of about \$6,000 per farm.



Eyewire

Low crop prices for corn and other crops grown on corn farms, along with high costs for fuels and fertilizers, reduced commodity returns in 2001. Government payments offset lower commodity returns to some extent, and supported farm income on most farms. However, the large discrepancy between farm and off-farm income on three-fourths of corn farms suggests a loose connection between farm commodity returns and household income for most corn farm households. This pattern is likely to persist even when commodity returns are higher, as they were in 2003 and 2004. The well-being of most farm households now depends on economic conditions and opportunities off the farm much more than on factors affecting the return to farming. W

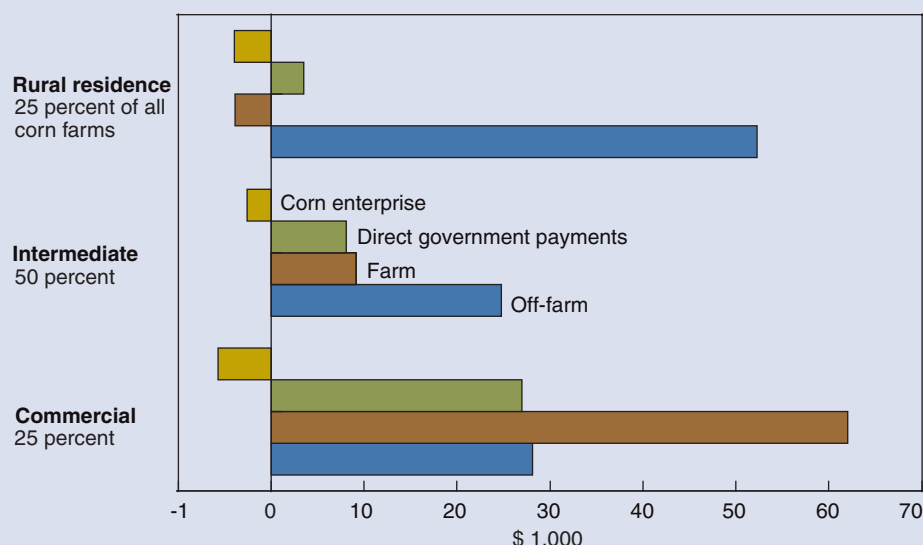
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This finding is drawn from . . .

Farm household, farm business, and corn cost and return data collected in the 2001 Agricultural Resource Management Survey (ARMS), in the ERS Briefing Room on ARMS, available at: www.ers.usda.gov/briefing/arms/
The ERS web page on Enterprise Costs and Returns: www.ers.usda.gov/data/costsand-returns/

Income, Wealth, and the Economic Well-Being of Farm Households, by Ashok Mishra, Hisham El-Osta, Mitchell Morehart, James Johnson, and Jeffrey Hopkins, AER-812, USDA/ERS, July 2002, available at: www.ers.usda.gov/publications/aer812/

Sources of corn farm household income, 2001



Note: Off-farm income and farm income comprise total household income. Income from the corn enterprise and direct payments contribute to farm income. Direct payments include production flexibility contract and market loss assistance payments. Corn enterprise income includes marketing loan benefits, but excludes direct payments because they are associated with historic, not current, corn production.

Source: USDA, 2001 Agricultural Resource Management Survey.